

**FILED**

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**MICHAEL W. DOBBINS**  
**CLERK, U.S. DISTRICT COURT**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA

v.

KENT SZARABAJKA

**08cr— 292**Violations: Title 26, United States  
Code, Section 7201

The UNITED STATES ATTORNEY charges:

**JUDGE JOHN W DARRAH**

1. At times material to this Information:

**MAGISTRATE JUDGE KEYS**

(a) Defendant KENT SZARABAJKA, owned approximately 60% of the stock of and operated a business located at 1645 N. Balwin Road, in Palatine, Illinois, known as Palatine Pizza, Inc., d/b/a Chicago Pizza Authority ("Chicago Pizza"). Family members owned the remaining 40% shares of stock.

(b) The business of Chicago Pizza included carry-out and delivery sales of pizza and other food items.

2. From at least as early as 2001 and continuing through and including 2005, defendant SZARABAJKA maintained two sets of records concerning Chicago Pizza. On one set of records, defendant SZARABAJKA accurately recorded the gross receipts of Chicago Pizza. On the other set of records, defendant SZARABAJKA under-reported the amount of gross receipts, failing to record certain cash sales made throughout the year.

3. For the tax year 2001, the income and expenses of Chicago Pizza were reported on a United States Income Tax Return for a Subchapter S Corporation, Form 1120S and attachments. Ordinary income or loss from a Subchapter S Corporation flows

through to and is reported pro-rata on its shareholders' individual income tax returns (Form 1040's). Sixty percent of the ordinary income or loss from Chicago Pizza was required to be included in a Schedule E attached to the defendant's United States Individual Income Tax Return and reported as income or loss on the return. Similarly, the other owners were required to report their proportionate share of the net income or loss from Chicago Pizza on their personal income tax returns on a yearly basis.

4. On or about May 24, 2002, defendant caused to be filed a false federal income tax return, Form 1120S, for Chicago Pizza by knowingly falsely stating on Chicago Pizza's Form 1120S, line 1, that Chicago Pizza had gross receipts and sales of \$354,974, when in fact defendant then and there knew and believed that the gross receipts and sales were approximately \$518,895. Further, it was falsely stated on Form 1120S, line 21, that Chicago Pizza had an ordinary loss from its business activities of \$34,325, when in fact defendant then and there knew and believed that Chicago Pizza had a net profit of approximately \$103,717.

5. Because ordinary income from a Subchapter S Corporation flows through to and is reported pro-rata on its shareholders' individual income tax returns (Form 1040s), the individual tax returns of defendant SZARABAJKA and the other shareholders for 2001 were also false, in that the returns omitted their pro-rata share of the aggregate total of approximately \$103,717 in income from Chicago Pizza declarable on those returns.

6. By reason of this income, defendant SZARABAJKA and the other Chicago Pizza shareholders were required by law, following the close of the calendar year 2001,

and on or before April 15, 2002, to make an income tax return to the Internal Revenue Service and to pay the income tax due and owing thereon.

7. Because defendant SZARABAJKA and the other Chicago Pizza shareholders' income was falsely stated to the Internal Revenue Service on their 2001 income tax returns (Form 1040s), the total income tax due and owing for each of them also was falsely stated on their income tax returns, in that they owed in the aggregate a total of approximately \$31,164 of income tax, in addition to the amount of income tax reported on their returns.

8. Throughout calendar year 2001, continuing to on or about May 24, 2002, in the Northern District of Illinois,

KENT SZARABAJKA,

defendant herein, well knowing all of the foregoing facts, did willfully attempt to evade and defeat the income tax due and owing by him to the United States of America for the 2001 calendar year by committing the following affirmative acts of evasion:

- a. falsely stating on his individual income tax return (line 17, Form 1040) that he received no income from Chicago Pizza;
- b. maintaining the financial records of Chicago Pizza in a manner intended to avoid reporting of taxable income to KENT SZARABAJKA and the other shareholders of Chicago Pizza to the IRS, and;

c. failing to pay to the Internal Revenue Service the full income tax due and owing in the approximate amount of \$18,631;

In violation of Title 26, United States Code, Section 7201.

  
UNITED STATES ATTORNEY